

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2019/2020

PAT0074 – INTRODUCTION TO FINANCIAL ACCOUNTING (Foundation in Business)

12 OCTOBER 2019
2.30 p.m. – 4.30 p.m.
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **SIX** pages with **THREE** questions only.
2. Answer **ALL** questions.
3. Write your answers in the Answer Booklet.

STRUCTURED [100 MARKS]

Instructions: Answer ALL questions. Write your answers in the Answer Booklet.

QUESTION 1

On 1st January 2016 Jenny Enterprise bought a machine on credit from JC Enterprise, which she planned to use for three years. The following information related to the purchase of the machine:

Purchase cost	RM10,000
Delivery	RM2,000
Installation	RM3,000
Annual insurance premium	RM1,000 for one year to 31 st December 2016

On 1st March 2018, Jenny Enterprise sold the above machine for RM6,000 on credit to JJ Enterprise. She then bought a replacement machine costing RM18,000 on credit from JC Enterprise.

Depreciation of machines is charged at 30% per annum, on reducing balance method. Full year depreciation is charged in the year of purchase and none in the year of disposal. The financial year of Jenny Enterprise ends on 31st December each year.

REQUIRED

- (a) Classify each of the following as a capital expenditure or revenue expenditure.
- (i) Purchase cost RM10,000
 - (ii) Delivery RM2,000
 - (iii) Installation RM3,000
 - (iv) Annual insurance premium RM1,000
- (4 marks)
- (b) Based on above (a), calculate the total cost of the machine to be recorded in the Machinery Account. (4 marks)
- (c) Calculate the depreciation of the machinery for 2016, 2017 and 2018 by using reducing balance method. (5 marks)
- (d) Record and balance off the following accounts on 31st December 2016, 2017 and 2018:
- (i) Machinery Account (4.5 marks)
 - (ii) Accumulated Provision for Depreciation of Machinery Account (5 marks)
 - (iii) Disposal of Machinery Account (2.5 marks)

(Total 25 marks)

Continued...

QUESTION 2**Part A**

MMU Badminton Club has several badminton teams, and also runs a shop selling equipment to members. The following extract was taken from the Receipts and Payments Account of the club for the year ending 31st December 2018:

MMU Badminton Club			
Receipts and Payments Account			
For the year ending 31 st December 2018			
<u>Receipts</u>	RM	<u>Payments</u>	RM
Subscriptions received:		Activity expense	10,000
2017	3,000	Insurance	4,000
2018	50,000	Purchase of equipment	2,000
2019	6,000		
Donation received	8,000		
Sale of equipment	9,000		

Additional information:

- (1) Subscriptions:
 - (i) At 31st December 2017, subscription owing for 2017 were RM3,000.
 - (ii) At 31st December 2017, subscriptions paid in advance for 2018 were RM4,000.
 - (iii) At 31st December 2018, subscriptions in arrears for 2018 were RM5,000.
 - (iv) At 31st December 2018, subscriptions paid in advance for 2019 were RM6,000.
- (2) Insurance prepaid at 31st December 2018 was RM1,000. The insurance premium for the year was RM3,000.
- (3) Profit from the sale of equipment to members in 2018 was RM7,000.
- (4) Rent expense accrued at 31st December 2018 was RM2,000.

REQUIRED

Prepare the following accounts for the year ending 31st December:

(a) Subscriptions Account (5.5 marks)

(b) Income and Expenditure Account (6.5 marks)

Continued...

Part B

Kenny and Remy are in partnership as toys distributor. Their partnership agreement allows interest on capital at the rate of 5% per annum. Kenny is allowed an annual salary of RM1,500 and Remy RM1,500. Profits and losses are shared equally. The following trial balance was extracted from their books on 31st December 2018.

Kenny and Remy Trial Balance as at 31 st December 2018		
	Debit (RM)	Credit (RM)
<u>Capital (1st January 2018):</u>		
Kenny		100,000
Remy		50,000
<u>Current account (1st January 2018):</u>		
Kenny	150	
Remy	70	
Purchases and Sales	104,780	120,000
Inventory (1 st January 2018)	2,500	
Building	100,000	
Delivery vehicles	15,000	
Rental expenses	1,500	
Delivery vehicle expenses	950	
Insurance expense	360	
Cash at bank	15,500	
Cash in hand	3,060	
Accounts payable		1,170
Repairs to building	12,300	
<u>Drawings:</u>		
Kenny	10,000	
Remy	5,000	
	<u>271,170</u>	<u>271,170</u>

Notes:

- (1) Inventory as at 31st December 2018 was RM4,600.
- (2) Insurance expense paid in advance was RM90.
- (3) Depreciation of delivery vehicles and depreciation of building are 10% of the cost.
- (4) An extension to the building costing RM10,000 had been posted as repairs to building.

REQUIRED

Prepare the Statement of Profit or Loss and Appropriation Account for the year ending 31st December 2018 for Kenny and Remy. (13 marks)

Continued...

Part C

Kidschamp Company has an authorised capital of RM400,000. It consists of 100,000 ordinary shares of RM2 each, 40,000 12% cumulative preference shares of RM3 each, and 80,000 18% non cumulative preference shares of RM1 each.

The balances extracted from the books of Kidschamp Company at 31st December 2018 was as follows:

	RM
Issued and paid up capital:	
12% cumulative preference shares	90,000
18% non-cumulative preference shares	60,000
Ordinary shares	100,000
Retained earnings (1/1/2018)	120,000
10% Loan notes	60,000
Equipment at cost	210,000
Accumulated provision for depreciation of Equipment (1/1/2018)	32,000
Gross profit (31/12/2018)	600,000
Commission received	110,000
Wages and salaries	100,000
Rent expenses	15,000
Utilities expenses	56,000
Allowance for doubtful debts (1/1/2018)	2,000
Loan note interest	4,000
Accounts receivable	50,000
Bank	739,000

You are given the following additional information:

- (1) Commission received in advance for 2019 amounted to RM10,000.
- (2) Rent paid in advance at 31st December 2018 amounted to RM2,000.
- (3) The allowance for doubtful debts is to be increased to RM2,500.
- (4) A depreciation charge is to be made on equipment at 10% per annum on cost.
- (5) Loan note interest accrued at 31st December 2018 was RM2,000.
- (6) Corporate tax of RM25,000 will be payable on the profit of the year.

REQUIRED

- (a) Prepare the Statement of Profit or Loss for the financial year ending 31st December 2018. (15 marks)
- (b) Compute the number of:
 - (i) issued and paid up ordinary shares (2 marks)
 - (ii) issued and paid up cumulative preference shares (2 marks)
 - (iii) issued and paid up non cumulative preference shares (2 marks)
 - (iv) unissued ordinary shares (2 marks)
 - (v) unissued cumulative preference shares (2 marks)

(Total 50 marks)
Continued...

QUESTION 3**Part A**

No.	Detail	Cash flow Activities (operating, investing or financing)	Cash inflow (+) or Cash outflow (-)
	Example: Paid building rental for June 2019, RM1,500 by cash.	Operating	-RM1,500
(a)	Paid to supplier for a purchase of inventory made in the previous year amounted to RM1,000 by cash.		
(b)	Purchase of machinery, RM30,000. 20% of this amount will be paid next year.		
(c)	Loan received from a financial institution, RM200,000 cash.		
(d)	Cash received from customers for sales made in the current year, RM7,000.		
(e)	Dividend paid to shareholders for the year amounted RM52,000.		
(f)	Sold the business building (that had a book value of RM42,000) for RM105,000 cash.		

REQUIRED

Based on the above transactions, state in which category of the statement of cash flow (operating, investing or financing activities) should it be recorded. Then indicate whether it causes cash inflow or cash outflow (include the amount) in the current year. Reproduce the above table in your answer booklet. (12 marks)

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Part B

Best Tech, a small equipment retailer, has just completed the second year of trading. Profits increased but the owner feels that the firm will face liquidity problem in the future. The relevant data extracts are as follows:

	2017	2018
	RM	RM
Sales	14,500	16,600
Net profit	1,600	3,800
<u>As at 31 December</u>		
Inventory	13,500	7,700
Accounts receivable	5,660	8,870
Cash at bank	3,200	0
Accounts payable	8,330	7,745
Bank overdraft	0	2,590

REQUIRED

Calculate the following ratios for both years.

- (a) Net profit margin (4 marks)
- (b) Acid-test-ratio (4 marks)
- (c) Accounts receivable collection period (days) (5 marks)

(Total 25 marks)

End of Paper